

# Significant Event Notice

## Important information: change from crediting rate to unit pricing

On 31 March 2010, legalsuper (the Fund) will be converting from a crediting rate method to a unitised method to value investment options in the Fund's accumulation and pension accounts (other than for the ASX 200 investment option).

The introduction of unitisation will not affect your entitlements with legalsuper. From the date of change, your account balance and transaction details will be expressed in 'units' as well as dollars. Unitisation will also see the introduction of weekly unit prices and these unit prices will be used for all member transactions and to assist in valuing your entitlement in the Fund.

To help you understand how unitisation will work and what it will mean for members, we have prepared this notice.

We encourage you to read the notice and should you have any questions to call us on 1800 060 312.

## What is unitisation?

When you invest in any of the Fund's investment options (apart from the ASX200 investment option, which will maintain its current method of determining returns) your money is placed in a pool of investments along with the money from every other member who has chosen that investment option.

From the date of change, each investment option is divided into units and every unit you own in that investment pool represents your share of that investment option.

Each unit has a 'price' that is determined based on the valuation of the assets in the investment option and an allowance for tax and fees all divided by the number of units on issue for the investment option. Unit prices can move up and down as the value of the assets or the allowance for tax and fees in the investment option change.

The Fund proposes that units will be priced on a weekly basis and the new unit prices will generally be available from Wednesday of the following week.

## Why are we changing to unitisation?

Unitisation will mean greater fairness to all members than with the current crediting rate system. In addition, weekly unit prices will allow us to provide members with more up-to-date information about their account balances.

## Converting to unitisation

On 31 March 2010 your account balance will be determined and that amount divided by the commencing unit price of \$1.00 for the investment options that you currently invest in (apart from the ASX200 investment option).

### Example:

**David Smith**

**31 March 2010 account balance = \$50,000**

**Conversion to unitisation:**

*\$50,000 divided by \$1.00 per unit = 50,000 units  
(allocated to David Smith's account)*

## How will unit pricing work after 31 March 2010?

Unit prices will generally be determined using the available valuation information for assets as at the close of business on each Friday. However, in some instances the Trustee may determine the value on another day, or more or less often than weekly, or apply a different process to value assets.

A provision for tax (for investment options in the accumulation section of the Fund) and Fund expenses (such as investment manager fees) will be deducted from the valuations and a net asset value calculated for each investment option.

Each net asset value will then be divided by the number of units on issue for each investment option (except the ASX200 investment option) and an allowance made for the cost of acquiring or disposing of the assets in each investment option, to calculate each unit price.

The Trustee intends to release unit prices, generally by Wednesday of the following week, and these prices will be available online at [www.legalsuper.com.au](http://www.legalsuper.com.au)

When a contribution is allocated to your account, units will also be allocated. The number of units to be allocated will be determined by dividing the contribution amount by the relevant unit price.

**Example:****David Smith****Contribution for May 2010 = \$1,100**

Unit price = \$1.10 per unit

Number of units allocated = 1,000 units (\$1,100/\$1.10)

When a benefit payment or withdrawal (such as for fees, tax or insurance) from your account occurs, units are sold using the relevant unit price.

**Example:****David Smith****Withdrawal = \$1,100**

Unit price = \$1.09 per unit

Number of units sold = 1,009.1 units (\$1,100/\$1.09)

When a member requests a switch between investment options (except the ASX200 investment option), the transaction is processed similarly to that of a withdrawal or a contribution, except that the switch transaction is held over for one week after it is received and processed using that week's unit prices to avoid any arbitrage opportunity arising.

**What if unit prices cannot be determined?**

Under the current crediting rate methodology, if the Trustee were to be unable to value or liquidate significant assets then it would have the power to suspend investment into, or out of, an investment option. Similarly, following unitisation, if the Trustee considers that information necessary to determine unit prices is not available, or an extraordinary event has occurred which may have a significant impact on the Fund, then the ability for members to buy or sell units might be suspended.

**Why isn't the ASX200 investment option being changed?**

As this is a member-directed investment option specific to each member, it is not necessary to change this option.

**Different prices for Accumulation and Pension members**

There will be different unit prices for equivalent investment options in the accumulation and pension sections of the Fund. This is because earnings in the accumulation section of the Fund are subject to tax and the Fund needs to accrue for this tax (as well as other expenses of the Fund) when unit prices are calculated. For the Pension section of the Fund, earnings on those assets are not taxable.

**How can I check the value of my account?**

You can check the value of your account online by logging into [www.legalsuper.com.au](http://www.legalsuper.com.au) using your account reference. You will be able to see the number of units you hold in each of legalsuper's investment options, the current price per unit and the total value of your investment in dollar terms.

Remember that unit prices change regularly and you should check to see if all your recent transactions have been received and processed. Alternatively, you can call us on 1800 060 312 and we can assist you with a calculation of your account balance.

**Questions**

If you have any questions about the move to unitisation, please call us on 1800 060 312.